

**FY24
COMPENSATION BOARD
BUDGET HEARING**

**April 18, 2023
Richmond, VA**

2:00 p.m.

**Jeffrey Palmore, Chairman
Staci Henshaw, Ex-officio Member
Craig Burns, Ex-officio Member**

COMPENSATION BOARD FY24 BUDGET PRIORITIES

The Compensation Board develops priorities each year to be used in establishing the budgets for all Constitutional Officers. To begin the budgeting process, the Compensation Board applies its general priorities in establishing a base funding level for each office, considering annual budget requests of constitutional officers and General Assembly actions, prior to determining individual budget amounts. These general priorities include:

- ◆ Level funding of existing base budgets for personnel, including salaries for permanent positions, fringe benefits, hourly wage/temporary funding and office expense funding.
- ◆ Continued funding for existing participants in career development programs.
- ◆ Allocation of any positions and funding established through legislative actions.
- ◆ Salary adjustments for Constitutional Officers changing population groups.
- ◆ Reclassifications where there is no salary cost.
- ◆ Allocation of positions based on the position reallocation policy.
- ◆ No funding is available for equipment for any offices. For local and regional jails, LIVESCAN equipment funding previously considered during the budget allocation process for will be considered on an individual request basis at regularly scheduled Board Meetings (Clerks' Technology Trust Funds are not a part of base budget funds and budgeted separately beginning in the late summer).

COMPENSATION BOARD FY24 LEGISLATIVE ISSUES SHERIFFS AND REGIONAL JAILS

Membership of the Board of Local and Regional Jails

SB797/HB2438 increases the number of members of the Board of Local and Regional Jails from 9 to 11 by requiring (i) the appointment of both a former sheriff and a former superintendent of a regional jail facility where current law requires appointment of only one former sheriff or one former warden, superintendent, administrator, or operations manager of a state or local correctional facility, and (ii) the appointment of an additional member who is employed by a public mental health services agency with training in or clinical, managerial, or other relevant experience working with individuals subject to the criminal justice system who have mental illness.

Virginia Opioid Use Reduction and Jail-Based Substance Use Disorder Treatment and Transition Fund

SB820/HB1524 establishes the Virginia Opioid Use Reduction and Jail-Based Substance Use Disorder Treatment and Transition Fund to be administered by the Department of Criminal Justice Services (DCJS) for funding and supporting the planning and implementation of locally administered jail-based addiction recovery and substance use disorder treatment and transition programs in local and regional jails. The bill has a delayed effective date of July 1, 2024 (FY25).

Emergency Custody, Temporary Detention and Alternative Transportation

SB872 requires magistrates to authorize alternative transportation of a person subject to an emergency custody order or temporary detention order if appropriate alternative transportation is available. The bill allows an employee or contractor of an entity providing alternative transportation services pursuant to a contract with the Department of Behavioral Health and Developmental Services (DBHDS) who has completed training approved by DBHDS in the proper and safe use of restraint to use restraint (i) if restraint is necessary to ensure the safety of the person or others or prevent escape and (ii) if less restrictive techniques have been determined to be ineffective to protect the person or others from harm or to prevent escape.

COMPENSATION BOARD FY24 LEGISLATIVE ISSUES SHERIFFS AND REGIONAL JAILS

VRS Retirement & Return to Work for Law Enforcement Officers

SB1411 directs the Virginia Retirement System (VRS) and the Department of Criminal Justice Services (DCJS), in consultation with the Joint Legislative Audit and Review Commission (JLARC), to analyze and report on options for allowing law enforcement officers to return to work as law-enforcement officers after retirement and continue to receive their retirement benefits.

ALL OFFICES

Procedure for Removal of Elected and Certain Appointed Officers by Courts

SB1431/HB2289 sets out the procedure by which, and clarifies the reasons for which, an elected officer or officer who has been appointed to fill an elective office may be removed from office. The bill requires, among other things, that the general registrar review the petition for removal of an officer and determine its sufficiency in accordance with the uniform standards approved by the State Board of Elections and that the attorney for the Commonwealth review such petition to determine if valid grounds exist to remove the officer. If the attorney for the Commonwealth is the elected official who is subject to the removal petition, the bill specifies that the Chief Justice of the Supreme Court of Virginia is tasked with appointing an alternate attorney for the Commonwealth to receive such petition.

Retiree Health Insurance Credit for Constitutional Officers and their Employees

HB1789 Increases the amount of monthly health insurance credits received by retired constitutional officers and their employees with a minimum of 15 years of creditable service from \$1.50 to \$1.75 per month per year of creditable service not to exceed \$52.50 per month beginning July 1, 2024.

COMPENSATION BOARD FY24 LEGISLATIVE ISSUES ALL OFFICES

Deed Recordation and Address Transfer

SB1389 requires that the commissioner of the revenue of a jurisdiction shall, upon receipt and review of the recordation receipt from the clerk of the circuit court of his jurisdiction, ensure that the land book is updated to reflect each grantee and property address or any other such address as may be specified in writing by the grantee for the delivery of future tax bills.

Filing of Tax Returns/Payment of Taxes by Mail

HB1927 provides that a remittance of a tax return or a tax payment shall be deemed to have been timely received if, through no fault of the taxpayer, no postmark is affixed or the postmark affixed by the United States Postal Service is illegible or bears no date and such tax return or payment is received within five days of the due date. The bill also provides that no penalty or interest shall be imposed (i) if a taxpayer provides evidence that a tax return filing or a tax payment was timely by producing a United States Postal Service Certificate of Mailing, or other proof of mailing, showing such return was filed or such payment was made on time or (ii) if a taxpayer's failure to file a return or to pay a tax to a locality was the fault of the United States Postal Service.

Real Property Tax, Notice of Rate and Assessment Changes

HB1942 requires certain information to be included in the notice that a locality is required to send to taxpayers after conducting a reassessment of real property. The bill provides that, in any county, city, or town that conducts an annual or biennial reassessment of real estate or in which reassessment of real estate is conducted primarily by employees of the county, city, or town under direction of the commissioner of the revenue and that has not yet established its real property tax rate when the notice is sent, the locality shall set out in the notice the effective tax rate increase.

COMPENSATION BOARD FY24 LEGISLATIVE ISSUES ALL OFFICES

FOIA Updates:

HB2006 provides that any local public body that charges for the production of public records pursuant to the Virginia Freedom of Information Act (FOIA) may provide an electronic method of payment through which all payments for the production of the records may be made.

HB2007 requires a public body to make available upon request and post on its website or otherwise publish a written policy (i) explaining how the public body assesses charges for accessing or searching for requested records and (ii) noting the current fee charged, if any, by the public body for accessing and searching for the requested records.

COMPENSATION BOARD FY24 SPECIFIC BUDGET ISSUES ALL OFFICES

Salary Increases:

Funding is included to support a 5% across-the-board salary increase effective July 1, 2023, for all constitutional officers, regional jails and their employees.

Based on 2022 population estimates provided by the Weldon Cooper Center for Public Service, no locality has met a population-based threshold for any its constitutional officers to receive a salary adjustment in FY24.

New Positions:

No additional funding or positions were approved by the 2023 General Assembly to address additional staff needs based upon general staffing standards for the offices of Constitutional officers, Regional Jails, or Finance Directors.

Career Development Programs:

The 2023 General Assembly did not approve funding to support additional participation in existing career development programs in FY24. Salary increases for newly funded participation in FY24 will be approved where existing funds have accrued through attrition of former funded participants.

Premium Recoveries:

In FY24, The Compensation Board will recover:

- 100% of the cost of premiums paid on behalf of constitutional officers, regional jails, and their employees to the Division of Risk Management (DRM) for the VARISK general liability insurance and surety bond coverage;
- 100% of the unfunded portion of the premium paid to the Virginia Retirement System (VRS) for the retiree health care credit (the unfunded portion represents 45% of the total projected premiums to be paid by the Compensation Board).

COMPENSATION BOARD FY24 SPECIFIC BUDGET ISSUES ALL OFFICES

Premium Recoveries (cont):

Since FY17, budget language requires the Division of Risk Management (DRM) to identify premium amounts by office, incorporating factors such as claims history, staffing, and average daily jail populations into the methodology for the distribution of premium recovery amounts by office, which can result in significant shifts of cost among offices from year to year. In FY24, the total VARISK general liability premium will remain unchanged at the FY23 level; however, every office's proportion of the total will change somewhat in FY24 based upon these factors; some offices will see an increase, while other offices will see a decrease in their premium amounts.

Salary Increase Non-Supplanting Language:

Language preventing local governments from using Compensation Board funding to supplant local funds provided for salary increases of constitutional officers and their employees on July 1, 2012, under the provisions of Chapter 822, 2012 Acts of Assembly, remains unchanged.

In accordance with the provisions of SB497 from the 2012 Session of the General Assembly (aka Chapter 822, 2012 Acts of Assembly), localities provided a 5% salary increase (unless phasing in) on July 1, 2012, to constitutional officers and their employees to offset the transition of the payment of the 5%-member contribution to VRS for retirement premiums from the locality to the employee. Any Compensation Board salary increase funds cannot be used to offset the 5% salary increase amount (or phase-in amount) funded by the locality in association with this VRS contribution change.

This language regarding non-supplanting of local funds does not apply to any salary supplement amounts provided by localities that exceed the 5% increase related to the VRS member contribution amount, nor does it apply to employees hired into a Compensation Board funded position after July 1, 2012 (or after July 1, 2010, if locality implemented phase I and phase 2 programs at that time).

COMPENSATION BOARD FY24 SPECIFIC BUDGET ISSUES SHERIFFS AND REGIONAL JAILS

Reallocation of Emergency Corrections Positions:

Based on significant and sustained reductions in jail populations, and corrections staffing standards for jail overcrowding, several emergency corrections positions will be removed from jails no longer experiencing overcrowding and reallocated in FY24 to jails experiencing overcrowding of inmate populations.

Positions for New or Expanded Jail Capacity:

No new jail construction projects are currently anticipated for completion in fiscal year 2024.

Jail Per Diem Payments:

Funding of \$53.04 million was included in the 2023 General Assembly Conference Report for FY24 inmate per diem payments.

Language in the Appropriation Act provides that should funds available for a quarterly per diem payment be insufficient to cover the entire amount of the payment, the payment will be pro-rated accordingly.

Any revisions to funding needed associated with inmate population levels for FY24 will be determined based on updated population forecasting during the fall 2023 budget development process and considered during the 2024 General Assembly session.

Federal Overhead Cost Recovery:

The methodology for recovery of the costs borne by the Commonwealth associated with the housing of federal inmates in local and regional jails (excluding construction costs) remains unchanged in FY24.

**COMPENSATION BOARD
FY24 SPECIFIC BUDGET ISSUES
SHERIFFS AND REGIONAL JAILS**

**Nottoway County Funding For
Offenders from Virginia Center
For Behavioral Rehabilitation:**

Beginning with FY17, the General Assembly approved funding of \$100,000 in each year to reimburse Nottoway County for incurred costs of confinement of residents of the Virginia Center for Behavioral Rehabilitation arrested for new offenses and housed in Piedmont Regional Jail. Funding of up to \$215,939 in FY24 was approved by the 2022 General Assembly to reimburse actual expenses incurred. Budget language provides for the reimbursement timeline and necessary demonstration of costs incurred for the Compensation Board to reimburse the County.

COMPENSATION BOARD FY24 SPECIFIC BUDGET ISSUES SHERIFFS AND REGIONAL JAILS

Withholding of Reimbursements: Since July 1, 2016, the Compensation Board has been authorized to withhold reimbursements due the locality for sheriff and jail expenses if the sheriff fails to self-certify their compliance with information transmittal requirements to the Sex Offender and Crimes Against Minors Registry of the Virginia State Police.

Since July 1, 2007, the Compensation Board has been authorized to withhold reimbursements due the locality for sheriff and jail expenses upon notification from the Superintendent of State Police that there is reason to believe that crime data reported by a locality to the Department of State Police in accordance with § 52-28, Code of Virginia, is missing, incomplete or incorrect.

Upon subsequent notification by the Superintendent that crime reporting data is submitted accurately and/or timely, or upon certification by the sheriff that information transmittals are meeting requirements, the Compensation Board shall make reimbursement of withheld funding due the locality, when such corrections and/or certifications are made within the same fiscal year that funds have been withheld. The Board will review and act upon late data reporting as notified by the Department of State Police on a quarterly and/or annual basis and upon failures to certify compliance with information transmittal requirements on an annual basis.

COMPENSATION BOARD
FY24 SPECIFIC BUDGET ISSUES
COMMONWEALTH'S ATTORNEYS & CIRCUIT COURT CLERKS

Insurance Fraud Prosecutors: Based on action during the 2017 and 2018 sessions of the General Assembly, a non-general fund appropriation of \$589,850 and five positions in each year of the biennium from the Virginia State Police Insurance Fraud Fund is provided to allocate and fund multi-jurisdictional Assistant Commonwealth's Attorney positions to prosecute insurance fraud. Allocation of these positions is contingent upon Virginia State Police identification of localities and local agreement to participate in the prosecution of these activities. Currently four of the five Assistant Commonwealth's Attorney positions have been allocated in accordance with the recommendations of the Virginia State Police; at this time the fifth position is not recommended for allocation in FY24.

Circuit Court Clerks' Foreclosure Pilot: Language approved by the 2019 General Assembly and \$75,000 in funding is continued for the Williamsburg/James City County Circuit Court Clerk's office to conduct a pilot program to provide an online listing of foreclosures, continued courthouse posting of foreclosures, and to provide notice of foreclosures to the local newspaper for a limited period of time.

Circuit Court Clerks' Technology Trust Funds: Beginning with FY11, the General Assembly approved a line of credit in the amount of \$8 million each year for budgeting Technology Trust Fund cash in the year in which it is collected. Amounts available for budgeting each fall are based upon any unspent collections from prior years and a projection of incoming cash for the current year, which may be more or less than the maximum \$8 million level. Reimbursements for expenses incurred cannot exceed actual cash collected during the budget year.

Language providing for the use of Technology Trust Funds (TTF) to offset previous general fund budget reductions was eliminated and the remaining general fund reductions to Clerks' operating budgets were restored by the 2022 General Assembly, eliminating the non-general fund transfer of TTF collections beginning in FY23 for this purpose.

COMPENSATION BOARD FY24 PENDING BUDGET ISSUES

A number of budget amendments for FY24 were included in Governor Youngkin's introduced budget bill (HB1400) in December, 2022, and additional amendments were recommended by the House Appropriations and Senate Finance and Appropriations Committees of the 2023 Regular Session of the General Assembly. These amendments were under consideration by a budget conference committee during the 2023 Regular Session, but were not included in the final Conference Report to the budget as adopted by the 2023 General Assembly. Instead, a "skinny" budget was approved that included minimal amendments to the existing budget for FY24.

The budget conference committee indicated it is continuing to work on reaching an agreement for further amendments to the existing budget for FY24. **If** the budget conference committee should reach an agreement, and a special session of the General Assembly is called to introduce and approve amendments to the budget, the following list represents budget proposals for FY24 that were previously under consideration by the budget conferees.

Should a special session be called and amendments to the budget for FY24 be approved by the General Assembly and Governor, the Compensation Board will provide an update regarding any budget proposals approved that impact funding for constitutional officers and will amend FY24 budgets accordingly. Following are the budget items that were previously under consideration and may still be pending:

Salary Increases:

Both the House Appropriations and Senate Finance and Appropriations committees included amendments in their recommended budgets to increase the across-the-board salary increase effective July 1, 2023 from 5% to 7%.

Targeted Salary Increases:

The Governor's introduced Budget Bill included new funding of \$13,894,938 that would restore salary progression differentials while maintaining previously applied compression-based salary increases for Compensation Board-funded deputies/jail officers that are ranked above entry-level effective July 1, 2023.

A House Appropriations committee amendment would consolidate the population-based salaries of Sheriffs in population groups below 40,000 effective July 1, 2023, creating a new population group of 0-69,999, and increasing salaries to the salary level currently assigned to Sheriffs in localities serving population between 40,000-69,999.

COMPENSATION BOARD FY24 PENDING BUDGET ISSUES

Targeted Salary Increases (cont): A Senate Finance and Appropriations committee amendment would provide \$4,633,412 to increase salaries of Assistant Commonwealth's Attorneys commensurate with Public Defenders effective July 1, 2023. The amendment would provide increases of 6.65% to ATTI positions, 19.69% to ATTII positions, 8.10% to ATTIII positions, and 20.10% to ATTIV positions.

A House Appropriations committee amendment would provide \$7,215,281 to increase the salaries of Assistant Commonwealth's Attorneys and Career Prosecutors by 15% effective July 1, 2023.

A Senate Finance and Appropriations committee amendment would provide \$1,073,264 to increase salaries of Circuit Court Clerks' deputies and staff commensurate with District Court Clerks' pay plan effective July 1, 2023. The amendment would provide increases of 4.56% for positions in pay bands 1 and 2, and 2.47% for positions in pay band 4.

New Positions for Sheriffs' Offices and Regional Jails:

The Governor's introduced budget proposed funding of \$4,074,631 and up to 71 deputy sheriffs' positions or additional part-time funds for a program to provide resources to sheriffs' offices and regional jails in FY24 to assist with staffing costs incurred in court ordered transportation of individuals in their custody subject to temporary detention and emergency custody orders. A Senate Finance and Appropriations committee amendment proposed moving this funding to the Department of Behavioral Health and Developmental Services (DBHDS) for their off-duty officer program.

Career Development Programs:

The Governor's introduced Budget Bill included new funding of \$76,275 to support FY23 qualified and unfunded participants.

COMPENSATION BOARD FY24 PENDING BUDGET ISSUES

**Salary Fund Restoration
For Underfunded and Unfunded
Positions, Treasurers and
Commissioners:**

Amendments by both House Appropriations and Senate Finance and Appropriations Committees would provide funding to re-fund the entry-level salaries of all remaining unfunded Treasurers' positions, effective July 1, 2023.

An amendment by the Senate Finance and Appropriations Committee would provide funding to re-fund the entry-level salaries of all remaining unfunded Commissioners' positions, effective July 1, 2023.

Jail Per Diem Payments:

A Senate Finance and Appropriations committee amendment would provide \$8.82 million to increase the per diem rate paid to house local responsible inmates on state charges in local and regional jails from \$4 per day to \$6 per day, effective with inmates housed on or after June 1, 2023.

Piedmont Regional Jail Initiatives: Senate Finance and Appropriations committee amendments provided \$1,882,746 in FY24 to support 44 new positions to Piedmont Regional Jail for an approved increased bed capacity. An additional amendment also reduced funding for the partial exemption from the federal inmate cost recovery for the Piedmont Regional Jail by \$641,378 in conjunction with providing the corrections positions based on the increased bed capacity.

COMPENSATION BOARD FY24 REIMBURSEMENT POLICIES FUNDING LEVELS

OFFICER SALARIES

**Sheriffs/Regional Jails,
Commonwealth's Attorneys,
and Clerks:**

100% of Appropriation Act amount.

**Treasurers and
Commissioners:**

50% of 1980 salary amount plus 100%
of all increases to Appropriation Act amount.

OFFICER BENEFITS

**Sheriffs/Regional Jails and
Commonwealth's Attorneys:**

FICA at 7.65% and VRS retirement at actual rate, not
to exceed 2.13%, paid on 100% of approved salary
amounts. Contributions for VRS Group Life Insurance
will be required in FY24, and reimbursement will be
made at 0.28%.

Clerks:

Benefit rates as stated above, paid on two-thirds of
approved salary amounts.

**Treasurers and
Commissioners:**

Benefit rates as stated above, paid at same
percentage level as officer's salary.

FULL-TIME PERMANENT STAFF SALARIES & TEMPORARY (HOURLY/WAGE) STAFF SALARIES

**Sheriffs/Regional Jails*,
Commonwealth's Attorneys,
and Clerks:**

100% of Compensation Board approved amount.

**Treasurers and
Commissioners:**

50% of Compensation Board approved amount.

*Exception: Reimbursement amounts for Medical, Treatment, Classification, and
Records positions in Sheriffs' offices and regional jails represent 2/3rds of the total salary
approved by the Compensation Board.

COMPENSATION BOARD FY24 REIMBURSEMENT POLICIES FUNDING LEVELS

FULL-TIME PERMANENT STAFF BENEFITS & TEMPORARY (HOURLY-WAGE) STAFF BENEFITS

Sheriffs/Regional Jails and Commonwealth's Attorneys:

FICA at 7.65% for full-time staff and hourly staff, and VRS retirement at actual rate, not to exceed 2.13% for permanent staff positions only, paid on 100% of approved salary amounts. Contributions for VRS Group Life Insurance will be required in FY24, and reimbursement will be made at 0.28%.

Clerks:

Benefit rates as stated above, paid on two-thirds of approved salary amounts.

Treasurers and Commissioners:

Benefit rates as stated above, paid on one-half of approved salary amounts.

OFFICE EXPENSES

Sheriffs/Regional Jails, Commonwealth's Attorney's, And Clerks:

100% of Compensation Board approved amount.

Treasurers and Commissioners:

50% of Compensation Board approved amount.

COMPENSATION BOARD FY24 REIMBURSEMENT POLICIES FUNDING LEVELS

EQUIPMENT

Sheriffs/Regional Jails:

No funding is provided in FY24 for equipment.

Funding previously considered during the budget allocation process for LIVESCAN equipment is now considered on an individual request basis at regularly scheduled Board Meetings.

Commonwealth's Attorneys, Treasurers and Commissioners:

No funding is provided in FY24 for equipment.

Clerks:

Clerks' technology funding requests will be considered by the Compensation Board at its September 2022 Board Meeting after on-line budget requests are submitted in August. A stress factor will not be applied. An estimate of fiscal year 2024 technology trust funds has been provided on the Compensation Board website to assist in automation planning for the upcoming fiscal year.

Based on language approved by the 2010 General Assembly, a line of credit of up to \$8 million will allow the Compensation Board to budget incoming collections in FY24.

Budget language that previously allowed for up to \$0.98 million in non-general technology trust funds to be used in each year to offset a like amount of general fund operating budget reductions was eliminated in FY23 and \$0.98 million in general fund support for Clerks' operating budgets was included in the 2022 Conference Report, eliminating the need for the transfer beginning in FY23.

COMPENSATION BOARD FY24 REIMBURSEMENT POLICIES FUNDING LEVELS

MEETING AND CONFERENCE EXPENSES

All Officers:

We anticipate continuing to offer programs in FY24 for new officers and lawful employment practices. Reimbursement will continue to be provided for expenses related to attendance at these training programs. Training will also be provided on a monthly basis for COIN (reimbursement and personnel processing system) and LIDS (Local Inmate Data System – per diems). No other funding is available for reimbursement of attendance at non-Compensation Board sponsored training events, although associated expenses may be reimbursed through existing office expense budgets.

SUBSTITUTE PROSECUTOR EXPENSES

Commonwealth's Attorneys Only:

Direct reimbursement of travel expenses is provided to all Commonwealth's Attorneys and assistant Commonwealth's Attorneys not requesting hourly rate reimbursement.

Reimbursement of hourly rate fees, not to exceed \$50 per hour, plus expenses, only provided for "part time" Commonwealth's Attorneys or assistants.

EXCEPTION TO TREASURERS' FUNDING LEVELS

100% of all Compensation Board approved expenses are reimbursed for Treasurers in the cities of Colonial Heights, Lynchburg, and Richmond. Two-thirds of all Compensation Board approved salary and office expenses are reimbursed for Treasurers in the cities of Danville, Petersburg, and Williamsburg.

COMPENSATION BOARD FY24 REIMBURSEMENT POLICIES FUNDING LEVELS

JAIL PER DIEM PAYMENTS

Per Diem Payments:

The funding rate established to compensate localities for the costs of housing local responsible inmates remains unchanged in FY24. The per diem rates for offenders that are arrested on a state warrant are, as required by law: \$4 for local responsible inmates housed in a local or regional jail, and \$18 for such inmates housed in a jail farm; \$15 for all state responsible inmates housed in all jail facilities.

Federal Overhead Recovery:

Language is included in the Appropriation Act for the recovery of the federal and out-of-state share of all state-funded costs including personnel, non-personnel (excluding construction costs), vehicle expenses, and grants, based upon the number of federal and out-of-state inmates housed in jail on a per day basis. The Compensation Board determines the overhead recovery amount based upon the per day state revenues provided in the most recent available Jail Cost Report and will deduct it from the quarterly per diem payment for state and local inmates. Jails that are not owed sufficient quarterly per diem amounts against which to recover the overhead amount will be required to submit a payment to the Compensation Board in the amount that the overhead cost exceeds the per diem payment amount.

Emergency Medical Expenses:

The Compensation Board may reimburse localities for costs of emergency medical care incurred outside the jail for state responsible inmates overdue for transfer to the Department of Corrections, not to exceed \$377,010 per year statewide. The Compensation Board approves and reimburses in November and May of each fiscal year expenses incurred in the previous six months.